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BOYD, TREASURY FOR ANTHONY IERONIMO

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SUBJECT: CAMEROON: AGOA ELIGIBILITY REVIEW

REF: STATE 97769

¶1. (U) Summary: Cameroon, with a 2008 nominal GDP of about \$23.7 billion, is the largest economy in the six-nation Central African Economic and Monetary Community (CEMAC). It is enjoying its fourteenth consecutive year of GDP growth, currently projected at 2.4 percent for 2009. It has a population of about 18 million, and an estimated GDP/capita of \$1,095. Cameroon has enjoyed relative political stability compared to other countries in the region, but socio-economic frustrations ignited social unrest in 31 municipalities during February, 2008, raising concerns about long-term stability. Political power, however, remains concentrated in the presidency. Cameroon's diversified economy includes oil and gas, timber, aluminum, and agriculture.

¶2. (U) Cameroon meets most elements of an open, liberal investment climate, though corruption and enforcement of regulations remain problematic. Cameroon achieved the Heavily Indebted Poor Countries (HIPC) Initiative completion point in May 2006. The government continues to reduce its ownership of economic assets through privatization programs and is taking some steps to address legal, judicial, and governance problems. In August 2007, the World Trade Organization reviewed Cameroon's trade policy and judged that its short-term economic outlook remained favorable although the country still finds it difficult to attract foreign direct investment (FDI). In 2008, U.S. imports from Cameroon totaled \$614 million, of which \$70 million were imported under AGOA. Minister of Commerce Luc Magloire Mbarga Atangana led a delegation to the 2009 AGOA Forum in Kenya. End Summary.

¶3. (U) Comments on Eligibility Requirements

¶I. Market-based Economy

¶A. Major Strengths Identified

-- The GRC has undertaken reforms aimed at liberalizing the financial sector, strengthening fiscal management, and establishing stronger regulatory agencies, specifically for telecommunications. The banking sector has been restructured, and all banks are solvent and supervised by an independent banking authority, the Central African Banking Commission (COBAC).

-- The investment code has been made identical for foreign and domestic investors. The Cameroon Tax Authority has implemented a new policy to use the transaction value as the base of the calculation of tariff values on U.S. imported goods. Importers of U.S. goods find the measure to be fair and a significant improvement from the "LARGUS" value, which applies the price of similar merchandise in the European market.

-- Cameroon's investment code provides fundamental guarantees to investors, including property ownership, ability to repatriate capital and income, compensation in case of expropriation, freedom of movement within Cameroon, and free egress for personnel.

-- A Bilateral Investment Treaty between Cameroon and the United

States was ratified and entered into force in 1989.

-- Cameroon's external debt burden remains relatively low due to debt service relief by the U.S. in 2000, achievement of the Heavily Indebted Poor Countries (HIPC) Initiative completion point in May 2006, and the Paris Club reduction of debt from \$3.5 billion to \$27 million in 2006. The total package of debt relief reduced Cameroon's future debt service payments by about \$4.9 billion in nominal terms. However, in July, 2009, Cameroon took on a highly concessional loan of \$144 million as part of the IMF's Exogenous Shock Facility.

-- In recent years Cameroon has adopted a number of sectoral codes with substantial advantages for investors. They include the Forestry Code, the Mining Code, the Gas Code and the Petroleum Code.

-- Cameroon has a copyright law that incorporates many of the provisions of the Internet Copyright Treaty and the World Intellectual Property Organization Performances and Programs Treaty. Cameroon is the host for the headquarters of the 14-nation West African Intellectual Property Organization (OAPI by its French acronym) and Cameroon is a signatory to the World Trade Organization's TRIPS agreement. In July, 2009, a Cameroonian distributor of ABRO motor oil won a trademark infringement suit filed in the OAPI in Yaounde against Chinese counterfeiters.

-- Despite some improvements in customs clearance procedures, port users report increasing delays in the port. The U.S. Customs Service has provided technical assistance to Cameroon needed to improve port operations.

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-- In 2006, Cameroon adopted simplified bureaucratic and legal procedures regarding the creation of new small to medium sized companies in Cameroon.

-- At least two banks operating in Cameroon, Afriland First Bank and ECOBANK, have a master guarantee agreement with the U.S. Export Import Bank to provide loans to local importers of U.S. products.

B. Major Issues/Problems

-- Firms complain about onerous and unpredictable application of the tax law and harsh government actions, such as blocking company bank accounts, to compel companies to agree to compromises on tax assessments. On paper, commercial law is adequate; however, investors find it difficult to enforce contracts because the court system remains slow and corrupt.

-- Cameroon's business climate remains problematic. Cameroon's rating in the World Bank's annual Doing Business Report dropped from 2008 to 2009, regressing in seven out of 10 areas and improving only in one category.

-- Although strong laws are on the books, enforcement of intellectual property rights laws is weak. In 2008, Cameroon's copyright registration system moved from a single body accepting registrations to multiple bodies divided according to field. The body charged with registering musical works has been liquidated for over a year by decree of the Minister of Culture. During the reporting period, the Cameroonian Supreme Court invalidated the decision of the Minister of Culture, but a new registration body is not yet in place.

-- In 2008, Cameroon entered into an interim Economic Partnership Agreement (EPA) with Europe, providing duty free access of European imports to Cameroon and reciprocal duty free access into Europe of Cameroonian exports (especially bananas). The agreement is expected to be phased in over a period of 10-15 years.

-- Although the state-owned Camair is under liquidation, the privatization of the airline and the national telecommunications company, CAMTEL, has stalled. In an encouraging sign, the Telecommunications Regulatory Agency ruled on August 11, 2009 that

CAMTEL does not have a monopoly on the fiber optic network of Cameroon.

II. Political Reforms/Rule of Law/ Anti-Corruption

A. Major Strengths Identified

-- There has been an improvement in the country's political evolution over the past 15 years. A multiparty political system has been in place since 1990. Cameroon has some 200 political parties, including five represented in Parliament.

-- The press and private citizens are able to criticize the government with relative openness (including for corruption and mismanagement), although some are subjected to government reprisal.

-- The GRC has put in place mechanisms for systematic payment of state contracts, reducing room for corruption. Cameroon ratified the UN Convention Against Corruption in February 2006, but effective implementation is still incomplete.

-- Free legal aid centers, staffed by members of the Cameroon Bar Association, promote awareness of civil and human rights as well as judicial processes.

-- Cameroon continues to work with the IMF, the European Union and other partners in an effort to improve transparency, planning and effectiveness of government revenues and expenditures, although progress has been slow.

-- A new, unified Criminal Procedure code took effect in 2007, and is generally considered to improve defendants' rights and, by expanding provisions for bail while awaiting trial, is expected to help reduce prison over-crowding.

-- The National Anti-Corruption Commission (CONAC) has stepped up its activities to raise awareness about corruption.

-- Under President Biya's "Operation Sparrowhawk" anti-corruption campaign, judicial proceedings against corrupt officials continued through 2009, including the arrest of the former ambassador to the U.S. and other high level government officials. In 2009, Cameroonian Customs introduced the use of a new requirement that trucks coming from Douala be fitted with global positioning systems (GPS) to track their movements in an effort to reduce diversion and corruption.

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B. Major Issues/Problems Identified

-- In December 2008 the government finally complied with the December 2006 law requiring the establishment of an ostensibly independent election commission, ELECAM. On December 30 and December 31, the president signed decrees appointing members of the Electoral Council and the director and deputy director general of ELECAM. Public and diplomatic observers questioned the credibility of the organization, as most of the appointees were members of the ruling Cameroon People's Democratic Movement (CPDM).

-- In power for 27 years, President Paul Biya, his political party, his Bulu ethnic group, and the broader Beti ethnic group continue to dominate all aspects of Cameroonian politics.

-- Impunity among the security forces remains a serious problem, although the government has made significant efforts to punish police officers involved in serious human rights violations or corrupt practices.

-- The government has used security forces to inhibit political activists from holding public meetings.

-- The judiciary remains corrupt, inefficient, and subject to political influence, although it is beginning to show growing independence and integrity in some respects. Officials in

Cameroon's security services are often poorly trained, ineffective, and corrupt.

-- Prolonged pretrial detention, including incommunicado detention, remains a problem.

-- Official harassment of journalists continued. The government continued the practice of "administrative tolerance" whereby radio and television media are permitted to broadcast without fully paying hefty licensing fees. Critics have argued this enables the government to selectively apply the licensing law against media. A radio station was shut down in August for not paying the licensing fees and "not conforming to the rules of journalism." The government has frequently called journalists critical of the government, particularly those covering unfavorable international press, "unpatriotic." The licensing system for private media remains expensive and incomplete, leaving many outlets operating in an uncertain legal environment.

-- The use of libel laws-and the harsh handling of journalists accused of libel-has had a chilling impact on reporting of corruption and other abuses of public offices.

-- Despite some positive steps and public commitments on anti-corruption, governance in all sectors remained problematic, and corruption is endemic.

III. Workers' Rights/Child Labor/Human Rights

A. Major Strengths Identified

-- The labor code recognizes workers' right to strike and workers exercised this right in practice.

-- Forced labor is prohibited under the Labor Code and the Constitution.

-- Cameroon has ratified ILO Conventions 182 on the worst forms of child labor and 138 on minimum age of employment.

-- The GRC is cooperating with the ILO on an International Program for the Elimination of Child Labor (IPEC) inquiry on labor by children under 14.

-- Legislation on child trafficking and slavery was ratified in 2005.

-- Although it is underfunded and frequently criticized, Cameroon's National Commission on Human Rights and Freedoms is independent and dedicated to exposing human rights abuses. The government has taken some steps to improve its human rights record by curtailing human rights abuses and, in some cases, arresting perpetrators. The Commission finalized a text book for use in all schools to educate children on human rights. The Commission officially launched the program for the teaching of human rights in primary and secondary schools on December 23, 2008.

-- The GRC has institutionalized the teaching of respect for human rights in its law enforcement institutions, graduating in 2005 its first class of police commissioners and officers specifically prepared to provide leadership in eliminating abusive and corrupt practices in law enforcement.

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B. Major Issues/Problems Identified

-- The Government did not effectively enforce labor laws and many of the relevant agencies lacked the resources to do so.

-- The Government restricted workers' rights to form and join trade unions, especially for workers in the public service. The law does not permit the creation of a union that includes public and private sector workers or the creation of a union that includes different sectors.

-- The Government continued to infringe on worker rights and restricted the activities of independent labor organizations by withholding or indefinitely delaying registration of independent trade unions. The Government also continued to interfere, although in a limited manner, with trade union activities.

-- The law does not provide workers with the right to remove themselves from situations that endanger their well-being without jeopardizing their employment.

-- Child labor remains a problem. Children are exploited as workers in subsistence farms, agriculture, urban areas and in the informal sector. An increasing number of children are engaged in domestic work and prostitution.

-- Forced or compulsory labor, including by children, is prohibited, but illegal forced labor, including forced child labor, was a problem. There were reports of trafficking in persons, primarily children, for purposes of forced labor.

-- Prison conditions remain harsh and life-threatening.

-- Security forces limit freedom of movement and assembly, especially against political activists of the illegal separatist Southern Cameroons National Council (SCNC).

-- Violence and discrimination against women, as well as child abuse remained serious problems. Homosexual acts are illegal, and societal discrimination and harassment from law enforcement against homosexuals are problems.

IV. (U) Poverty Reduction

1A. Major Strengths Identified

-- The Government's 2009 budget emphasizes education with the first and third largest expenditures going to secondary and basic education, respectively. The defense budget is the second largest expenditure.

-- The Government continues to engage with the Bretton Woods institutions, although the last Poverty Reduction Growth Facility program ran out.

-- The Government committed to providing free, universal access to anti-retroviral treatment and HIV/AIDS testing and counseling, though implementation remains problematic.

1B. Major Issues/Problems Identified

-- Budgetary allocations and execution, especially for much-needed investments in priority social sectors, remain problematic.

--Cameroon performs poorly on a range of social indicators. The poverty rate has remained unchanged at 40% since 2001. The FAO estimates 44% of Cameroonians are malnourished. Infant, under-five, and maternal mortality rates have increased over the past decade. Cameroon dropped from 144 to 153 out of 177 in the 2009 UN Human Development Index.

-- The government has yet to release audits on public health spending, including for funds provided by the Global Fund for AIDS, Tuberculosis and Malaria, despite reports that the funds were subject to widespread corruption and embezzlement. The Government will run out of 2009 Global Fund financing for free anti-retroviral treatment as many as three months early, due to overspending and mismanagement.

-- The Government has not yet finalized its Poverty Reduction Strategy Paper.

-- The government continues to delay the release of a 2005 updated census, complicating planning and development initiatives.

1V. (U) International Terrorism/ U.S. National Security

1A. Major Strengths Identified

-- The government of Cameroon cooperates with the Embassy on issues pertaining to anti-terrorism.

-- Cameroon is part of a sub-regional initiative to fight money laundering and illegal financing of terrorism. That initiative is managed by GABAC, a regional organization based in Bangui, Central African Republic, with branches in each of the sub-region's six central African countries.

-- Cameroon's Financial Intelligence Unit, called the National Agency for Financial Investigations (or ANIF) is operational and collaborates closely with counterparts in the United States and third countries.

1B. Major Issues/Problems Identified

-- Enforcement of laws and regulations pertaining to financial transactions remains uneven, and much of the banking sector operates without effective supervision, despite the regulatory structures in place.

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